



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
FOR: IMMEDIATE RELEASE

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FOUR PHOENIX-AREA MEN ORDERED TO REPAY INVESTORS FOR FRAUDULENT SCHEME

PHOENIX – The Arizona Corporation Commission has determined that four Phoenix-area men jointly violated Arizona securities laws by defrauding more than a dozen investors through nonexistent “European bank debenture” trading programs. They were ordered to cease and desist from such activity as well as to pay restitution and penalties. Investors suffered a loss of \$414,325.

Joseph Michael Guess, Sr., a Phoenix resident who uses the name J. Michael Guess, illegally sold unregistered securities. He was ordered to pay \$414,325 restitution to investors and \$100,000 in penalties.

James Douglas Sherriffs, a Scottsdale tax preparer, also committed fraud by selling unregistered securities and serving as an unlicensed investment adviser. In 1996, Sherriffs was sued by the Arizona Attorney General and the State Board of Accountancy for falsely claiming that he was a certified public accountant. He was ordered to pay \$232,075 restitution to investors and \$25,000 in administrative penalties.

Ira Joe Patterson, of Phoenix, defrauded investors by illegally selling unregistered securities and was ordered to pay \$57,730 restitution and \$25,000 in penalties to the state.

Richard Gordon Davis, also a Phoenix resident who formerly operated a local telephone answering service, helped defraud investors and was ordered to pay \$23,000 restitution and \$10,000 in penalties.

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Guess, Sherriffs and Patterson engaged in a pattern of misrepresentation by:

- Failing to disclose their personal financial status, the condition of their companies or their business background,
- Failing to disclose that money from investors would be used for personal expenses,
- Stating that investor funds would be invested in a trading program for discounted bank instruments in Europe,
- Stating that the investments were “safe” and would be held in escrow for “safekeeping” until they could be transferred to a trading bank to earn a return on the investments,
- Stating that and that monies would be protected by a bank guarantee in excess of the face value of the investment. No such guarantee existed.

Davis indirectly assisted in furthering the scheme.

Randall Wayne Smith was convicted of fraud last year by federal prosecutors for his role in the scheme and is now in federal prison. Smith operated one of the fraudulent trading programs from Alabama.

Similar bank debenture trading programs have been magnets for unwary investors. There is no trading market for discounted debt instruments from major European and world banks that can generate the extremely high profits claimed by these programs. “Any investment program promising such an opportunity for high profits with little or no risk is inherently fraudulent,” stated Mark Sendrow, Director of the Arizona Corporation Commission’s Securities Division. “Contact the Arizona Securities Division at 602-542-4242, toll free at 1-877-811-3878, or via its website at www.ccsd.cc.state.az.us for information that may help you avoid investment disasters.”

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